

STANTON COUNTY HOSPITAL
A COMPONENT UNIT OF STANTON COUNTY, KANSAS

FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION
with
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stanton County Hospital
Johnson, Kansas

We have audited the financial statements of Stanton County Hospital, a component unit of Stanton County, Kansas, as listed in the table of contents, at and for the year ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanton County Hospital as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

George, Baumann & Noel, P.A.

Wichita, Kansas
April 22, 2014

STANTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Stanton County Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2013 and 2012. Please read it in conjunction with the Hospital's financial statements, which begin on page 8.

Financial Highlights

- The Hospital's net position decreased in 2013 by \$513,323 or 3.59% compared to an increase in 2012 of \$1,274,103 or 192.08%. The significant increase in 2012 was primarily due to transfers of \$2,053,064 from the County related to the Hospital construction/renovation project completed in 2012.
- Contractual allowances, charity care and bad debts reduced gross patient service revenue by \$993,882 or 14.48% of gross patient service revenue in 2013 and by \$342,114 or 6.61% of gross patient service revenue in 2012.
- Other operating revenue decreased in 2013 by \$186,176 or 82.32% from the amounts for 2012. This was primarily due to the accrual of approximately \$192,000 of revenue for the Medicare and Medicaid electronic health record incentive program in 2012 as discussed in Note 2 to the financial statements.
- The Hospital reported an operating loss in both 2013 (\$1,636,937) and 2012 (\$1,825,184). The operating loss in 2013 decreased by \$188,247 or 10.31% from the loss reported in 2012. The operating loss in 2012 increased by \$195,020 or 11.96% over the loss reported in 2011.
- Net nonoperating revenues/expenses increased by \$77,860 or 7.50% in 2013 compared to an increase in 2012 of \$350,595 or 50.99%. The increase in 2012 was due primarily to an increase in intergovernmental revenue.

Financial Statements

The Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *statement of net position*, *statement of revenue, expenses and changes in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *statement of net position* presents information on the Hospital's assets and liabilities with the difference between them reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital's cash receipts and cash payments during the year.

Net Position

The information below summarizes the Hospital's net position as of December 31, 2013, 2012 and 2011.

	December 31,		
	2013	2012	2011
Assets:			
Current assets	\$ 2,494,538	\$ 1,844,299	\$ 1,166,347
Other assets	221,619	221,409	221,221
Capital assets, net	<u>12,231,240</u>	<u>13,151,932</u>	<u>12,461,718</u>
Total assets	<u>\$ 14,947,397</u>	<u>\$ 15,217,640</u>	<u>\$ 13,849,286</u>
Liabilities:			
Long-term liabilities	\$ 384,506	\$ 328,996	\$ 296,333
Other liabilities	<u>762,932</u>	<u>575,362</u>	<u>513,774</u>
Total liabilities	<u>\$ 1,147,438</u>	<u>\$ 904,358</u>	<u>\$ 810,107</u>
Net position:			
Invested in capital assets, net	\$ 11,772,041	\$ 12,770,331	\$ 12,125,659
Unrestricted	<u>2,027,918</u>	<u>1,542,951</u>	<u>913,520</u>
Total net position	<u>\$ 13,799,959</u>	<u>\$ 14,313,282</u>	<u>\$ 13,039,179</u>

Recent Financial Performance

The schedule below is a summary of the Hospital's revenues, expenses and changes in net position for the years ended December 31, 2013, 2012 and 2011.

	Year ended December 31,		
	2013	2012	2011
Operating revenue	<u>\$ 5,909,861</u>	<u>\$ 5,059,843</u>	<u>\$ 3,694,622</u>
Operating expenses:			
Salaries	3,316,453	2,881,627	2,674,004
Employee benefits	885,831	804,040	765,561
Purchased services and professional fees	521,931	446,650	453,209
Supplies and other	1,601,153	1,568,370	937,794
Depreciation and amortization	<u>1,221,430</u>	<u>1,184,340</u>	<u>494,218</u>
Total operating expenses	<u>7,546,798</u>	<u>6,885,027</u>	<u>5,324,786</u>
Operating loss	<u>(1,636,937)</u>	<u>(1,825,184)</u>	<u>(1,630,164)</u>

	Year ended December 31,		
	2013	2012	2011
Nonoperating revenues (expenses):			
Intergovernmental revenue	\$ 1,118,420	\$ 1,103,022	\$ 705,763
Interest income	1,489	1,577	1,281
Interest expense	(18,047)	(14,193)	(16,608)
Grants and contributions	12,635	9,120	29,046
Gain (loss) on disposal of capital assets	<u>1,493</u>	<u>(61,396)</u>	<u>(31,947)</u>
Total nonoperating revenues (expenses)	<u>1,115,990</u>	<u>1,038,130</u>	<u>687,535</u>
Excess of expenses over revenues before capital grants and contributions	(520,947)	(787,054)	(942,629)
Capital grants and contributions	7,624	8,093	27,515
Transfers from County	<u>—</u>	<u>2,053,064</u>	<u>9,490,117</u>
Increase (decrease) in net position	<u>\$ (513,323)</u>	<u>\$ 1,274,103</u>	<u>\$ 8,575,003</u>
Net position at end of year	<u>\$ 13,799,959</u>	<u>\$ 14,313,282</u>	<u>\$ 13,039,179</u>

Overall, operating revenues increased 16.80% from 2012 to 2013 and increased 36.95% from 2011 to 2012.

- Net patient service revenue increased 21.44% from 2012 to 2013 as compared to an increase of 31.77% from 2011 to 2012. The significant increase in 2012 was due, in part, to the completion of the construction/renovation project which had temporarily caused some disruption in patient services in 2010 and 2011.
- Other operating revenues decreased significantly from 2012 to 2013 primarily due to the electronic health record incentive program mentioned above.

Overall, operating expenses increased 9.61% from 2012 to 2013 and increased 29.30% from 2011 to 2012.

- Salaries, wages, and employee benefits increased 14.02% from 2012 to 2013 and increased 7.16% from 2011 to 2012.
- Depreciation expense increased 3.13% from 2012 to 2013 and increased 139.64% from 2011 to 2012 primarily due to phases of the construction/renovation project coming online during 2011 and 2012.

Overall, the Hospital's operating loss decreased 10.31% from 2012 to 2013 and increased 11.96% from 2011 to 2012. The operating losses are due, in part, to a significant increase in depreciation expense related to the assets capitalized from the construction/renovation project. It is important to note that the calculation of the operating loss is a result of the application of accounting principles generally accepted ("GAAP") in the United States of America. The Hospital receives intergovernmental revenues from the County in part to subsidize the cost of services provided to uninsured patients. Although the expenses incurred to provide these services are recognized as operating expenses, GAAP reporting rules require that the tax revenues be reported as non-operating revenues.

Non-operating revenues and expenses consist primarily of the intergovernmental revenues from the County, interest expense on long-term debt, and grants and contributions.

Capital Assets

At the end of 2013, the Hospital had \$12,231,240 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Hospital acquired additional capital assets of \$309,243 and \$1,987,444 in 2013 and 2012, respectively. The acquisitions in 2012 were primarily related to the construction/renovation project.

Debt

The Hospital also leases certain equipment under capital lease agreements with remaining outstanding balances totaling \$459,199 at December 31, 2013. This includes new leases for surgery and IT equipment of \$223,476 in 2013.

Issues Facing the Hospital

There are issues facing the Hospital that could result in material changes in its financial position in the long term. Among these issues are:

- **Risks related to Medicare and Medicaid reimbursement.** A significant portion of the Hospital's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.
- **Healthcare reform.** In 2010, the federal government enacted sweeping new legislation that will significantly impact virtually all aspects of the healthcare delivery and insurance Hospitals in the country. Portions of the legislation will be implemented over the next several years. However, most of the detailed implementing regulations have not yet been issued and accordingly, any specific effects on operations of the Hospital are currently undeterminable. Management continues to closely monitor the progression of the implementation of the legislation.
- **Employment and labor issues.** The Hospital is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.
- **Technology and services.** Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.

As part of the new legislation passed in 2009 and 2010, the federal government is providing financial incentives to healthcare providers to join in implementing a national electronic health record (EHR) system. Accordingly, the Hospital has incurred significant expenditures for hardware and software to meet the requirements for the program. The Hospital's initial EHR system implementation was approved by the Medicare and Medicaid fiscal intermediaries in 2012.

- **Increasing numbers of uninsured and underinsured patients.** Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital.

Contacting The Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Department, at 404 N. Chestnut, Johnson, Kansas, 67855.

Stanton County Hospital

Statements of Net Position

ASSETS

	December 31,	
	2013	2012
Current assets:		
Cash and cash equivalents (Notes 1 and 3)	\$ 1,235,139	\$ 720,428
Accounts receivable, net of allowance for doubtful accounts of \$273,607 in 2013 and \$240,742 in 2012 (Notes 1 and 4)	1,002,322	465,022
Property taxes receivable	47,447	29,027
Estimated third-party payor settlements (Note 2)	—	449,977
Inventories (Note 1)	97,285	88,696
Prepaid expenses and other	112,345	91,149
Total current assets	<u>2,494,538</u>	<u>1,844,299</u>
Assets limited as to use:		
Short-term certificate of deposit (Notes 1 and 3)	<u>221,619</u>	<u>221,409</u>
Capital assets (Notes 1, 5 and 11):		
Land	14,930	14,930
Land improvements	409,946	409,946
Buildings and fixed equipment	14,232,196	14,214,870
Movable equipment	1,726,550	1,566,280
Construction in progress	45,584	—
	16,429,206	16,206,026
Less accumulated depreciation	<u>4,197,966</u>	<u>3,054,094</u>
Total capital assets, net of accumulated depreciation	<u>12,231,240</u>	<u>13,151,932</u>
Total assets	<u><u>\$ 14,947,397</u></u>	<u><u>\$ 15,217,640</u></u>

The accompanying notes are an integral
part of these financial statements.

LIABILITIES AND NET POSITION

	December 31,	
	2013	2012
Current liabilities:		
Accounts payable	\$ 132,870	\$ 161,242
Salaries and wages payable	179,192	129,186
Other accrued expenses	39,159	64,438
Estimated third-party payor settlements (Note 2)	155,156	—
Current portion of compensated absences payable (Note 1)	78,201	90,661
Current portion of capital lease obligations (Note 6)	178,354	129,835
Total current liabilities	<u>762,932</u>	<u>575,362</u>
Long-term liabilities (Notes 1 and 6):		
Long-term debt	280,845	251,766
Compensated absences payable	<u>103,661</u>	<u>77,230</u>
Total long-term liabilities	<u>384,506</u>	<u>328,996</u>
Total liabilities	<u>1,147,438</u>	<u>904,358</u>
Net position (Notes 1 and 11):		
Invested in capital assets, net of related debt	11,772,041	12,770,331
Unrestricted	<u>2,027,918</u>	<u>1,542,951</u>
Total net position	<u>13,799,959</u>	<u>14,313,282</u>
Total liabilities and net position	<u>\$ 14,947,397</u>	<u>\$ 15,217,640</u>

Stanton County Hospital

Statements of Revenues, Expenses, and Changes In Net Position

	Year ended December 31.	
	2013	2012
Operating revenues:		
Net patient service revenue	\$ 5,869,877	\$ 4,833,683
Other	39,984	226,160
Total operating revenues	<u>5,909,861</u>	<u>5,059,843</u>
Operating expenses:		
Salaries and wages	3,316,453	2,881,627
Employee benefits	885,831	804,040
Purchased services and professional fees	521,931	446,650
Supplies and other	1,601,153	1,568,370
Depreciation	<u>1,221,430</u>	<u>1,184,340</u>
Total operating expenses	<u>7,546,798</u>	<u>6,885,027</u>
Operating loss	<u>(1,636,937)</u>	<u>(1,825,184)</u>
Nonoperating revenues (expenses):		
Intergovernmental revenue	1,118,420	1,103,022
Noncapital grants and contributions	12,635	9,120
Interest income	1,489	1,577
Interest expense	(18,047)	(14,193)
Gain (loss) on disposal of capital assets	<u>1,493</u>	<u>(61,396)</u>
Total nonoperating revenues	<u>1,115,990</u>	<u>1,038,130</u>
Excess of expenses over revenues before capital grants and contributions	(520,947)	(787,054)
Capital grants and contributions	7,624	8,093
Transfers from County	<u>—</u>	<u>2,053,064</u>
Increase in net position	(513,323)	1,274,103
Net position, beginning of year	<u>14,313,282</u>	<u>13,039,179</u>
Net position, end of year	<u>\$ 13,799,959</u>	<u>\$ 14,313,282</u>

The accompanying notes are an integral
part of these financial statements.

Stanton County Hospital

Statements of Cash Flows

	Year ended December 31.	
	2013	2012
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 6,129,417	\$ 4,854,193
Payments to suppliers and contractors	(2,181,241)	(1,983,186)
Payments to employees	(4,163,586)	(3,646,284)
Other receipts and payments, net	(151,723)	34,453
Net cash used by operating activities	(367,133)	(740,824)
Cash flows from noncapital financing activities:		
Intergovernmental revenue	1,100,000	1,100,000
Noncapital grants and contributions	12,635	9,120
Net cash provided by noncapital financing activities	1,112,635	1,109,120
Cash flows from capital and related financing activities:		
Principal paid on capital leases	(145,878)	(128,092)
Interest paid on capital leases	(18,047)	(14,193)
Purchase of capital assets	(85,769)	(1,802,344)
Proceeds from sale of capital assets	10,000	40,029
Grants and contributions for capital assets	7,624	2,061,157
Net cash provided (used) by capital and related financing activities	(232,070)	156,557
Cash flows from investing activities:		
Interest on investments	1,489	1,577
Net change in assets limited as to use	(210)	(188)
Net cash provided by investing activities	1,279	1,389
Increase in cash and cash equivalents	514,711	526,242
Cash and cash equivalents, beginning of year	720,428	194,186
Cash and cash equivalents, end of year	<u>\$ 1,235,139</u>	<u>\$ 720,428</u>

The accompanying notes are an integral
part of these financial statements.

	Year ended December 31.	
	2013	2012
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (1,636,937)	\$ (1,825,184)
Adjustments to reconcile operating loss:		
Depreciation and amortization	1,221,430	1,184,340
Provision for bad debts	183,637	75,033
Net (increases) decreases in operating assets and liabilities:		
Accounts receivable	(720,937)	(156,042)
Estimated third-party payor settlements	605,133	(90,188)
Accounts payable and accrued expenses	10,326	48,708
Other assets and liabilities	(29,785)	22,509
	<u>\$ (367,133)</u>	<u>\$ (740,824)</u>

STANTON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and reporting entity

Stanton County Hospital (Hospital) is an acute care hospital located in Johnson, Kansas. The Hospital is a component unit of Stanton County, Kansas (County). The Hospital is governed by a Board of Trustees elected by the registered voters of the County. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care, and long-term care services to patients, substantially all of whom are from the Stanton County area.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Property taxes, investment income, interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payor mix trends, and existing economic conditions. As a service to patients, the Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. If the patient is unable to pay the full amount at the time the patient is billed, the Hospital negotiates a payment plan whereby monthly payments are made by the patient on the account. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Inventories

Inventories of supplies are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Capital assets

The Hospital's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	10-20 years
Buildings	15-40 years
Fixed equipment.....	5-20 years
Major moveable equipment	3-20 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital provided \$30,927 and \$41,833 of charity care for the years ended December 31, 2013 and 2012, respectively estimated by multiplying the Hospital's cost to charge ratio by the gross uncompensated care charges associated with providing care to charity patients.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Grants and contributions

From time to time, the Hospital receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net position

Net assets of the Hospital are classified into two components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* are remaining assets plus deferred outflows of resources less remaining liabilities plus deferred inflows of resources that do not meet the definition of *net investment in capital assets*.

Compensated absences

Employees of the Hospital are entitled to paid time off (PTO) depending on their length of service with the Hospital. Employees begin accruing PTO on a bi-weekly basis following employment; however, PTO cannot be used until after the employee has completed a 3-month introductory period. Up to 120 hours of unused PTO may be carried over to the next year in a reserve bank. The reserve bank may not exceed 120 hours. Employees may cash in up to 60 hours in the reserve bank at full value at their base rate of pay. Reserve bank hours above 60 hours are reimbursed at a rate of one hour for every two hours accumulated.

Upon resignation, termination or retirement from service with the Hospital, employees with twelve or more months of employment are entitled to payment for all unused PTO hours plus their reserve bank hours. However, the reserve bank hours above 60 hours will be reimbursed at the rate of one hour for every two hours accumulated.

Cash and cash equivalents

Cash and cash equivalents include cash, certificates of deposit, money market and NOW accounts with maturities of three months or less, excluding those investments designated by the Board of Trustees for the purchase or replacement of capital assets (Note 3).

Taxation

The Hospital is a component unit of Stanton County, a political subdivision of the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Risk management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The Hospital pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

Reclassifications

Certain other reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. These other reclassifications had no effect on the change in net position.

Subsequent events

Subsequent events have been evaluated through April 22, 2014, which is the date the financial statements were available to be issued.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2011.
- **Medicaid** – For 2012, the Hospital was reimbursed under a cost reimbursement methodology for inpatient acute and outpatient services rendered to beneficiaries who are not part of a Medicaid managed care network. The Hospital was reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment. The Hospital was reimbursed on a prospective payment methodology for inpatient and outpatient services to beneficiaries who were part of a Medicaid managed care network. As of January 1, 2013, the Facility is reimbursed under the State of Kansas KanCare program utilizing the Medicaid fee schedule plus a cost adjustment factor.

Medicaid reimbursement for long-term care facility residents is based on a cost-based prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively. Effective July 1, 2011, rates are computed each calendar quarter using a three-year average of cost reports and changes in the Medicaid resident case mix index.

Based on certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were approximately \$67,000 and \$68,000 in 2013 and 2012, respectively.

Approximately 61% and 63% of net patient service revenue is from participation in the Medicare and Medicaid programs for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS (continued)

Pursuant to enactment of the *American Recovery and Reinvestment Act of 2009*, the Medicare and Medicaid programs implemented programs to provide for one-time incentive payments for eligible hospitals that demonstrate meaningful use of certified electronic health records systems (EHR).

Under Medicare's incentive program, hospitals are generally eligible to receive these incentive payments for up to four years for reasonable costs incurred for certified EHR systems multiplied by the hospital's Medicare utilization plus 20%, up to 100% of the reasonable costs incurred. Payments under the Medicaid program are generally available for up to four years based upon a formula determined by the state and approved by the Centers for Medicare and Medicaid Services (CMS). Final amounts for any payment year are contingent upon the hospital continuing to meet increasing meaningful use criteria and, accordingly, are subject to review and approval by the Medicare and Medicaid programs fiscal intermediaries. As a result, it is reasonably possible that final determined amounts may differ materially from initial revenues recorded under these programs.

During 2012, the Hospital met the initial requirements to receive EHR incentive payments from both the Medicare and Medicaid programs and approximately \$192,000 of other operating revenue was accrued for the year ended December 31, 2012.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other third-party payor programs. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. CASH AND INVESTED CASH

Cash and invested cash consisted of the following:

	December 31,	
	2013	2012
Cash and cash equivalents:		
Cash on hand	\$ 550	\$ 400
NOW account	195,450	160,200
Money market accounts	<u>1,039,139</u>	<u>559,828</u>
	<u>\$ 1,235,139</u>	<u>\$ 720,428</u>
	December 31,	
	2013	2012
Assets limited as to use		
Certificate of deposit	<u>\$ 221,619</u>	<u>\$ 221,409</u>

Deposits

The Hospital's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities. Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned to the Hospital or the Hospital will be unable to recover the collateral securities in the possession of an outside party.

3. CASH AND INVESTED CASH (continued)

At December 31, 2013, the carrying amount of the Hospital's deposits, which approximates fair value, was \$1,456,208 with the bank balances of such accounts being \$1,513,183. Of the bank balances, \$482,645 was secured by federal depository insurance and the remaining balance of \$1,030,538 was covered by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of those pledged securities held by the Hospital's custodial banks was \$1,332,549 at December 31, 2013.

The remaining carrying amount of the Hospital's cash and investments at December 31, 2013 consisted of cash on hand of \$550.

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital's investing activities are managed under the custody of the Hospital Chief Executive Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital to invest in (1) temporary notes or no-fund warrants issued by the Hospital (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Hospital's policies provide that to the extent practicable, investments are matched with anticipated cash flows.

Assets whose use is limited

These assets consist of a certificate of deposit that has been designated by the Board of Trustees for use in the replacement of capital assets or for the acquisition of additional capital assets. The assets designated by the Board of Trustees can be utilized for other purposes at the discretion of the Board.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital is a provider of health care services and is located in the City of Johnson, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local area residents and some are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Medicare	\$ 464,912	\$ 182,999
Medicaid	167,301	46,758
Blue Cross	90,418	51,320
Other third-party payors	105,298	63,822
Patients	<u>448,000</u>	<u>360,865</u>
Gross accounts receivable	1,275,929	705,764
Less allowance for doubtful accounts	<u>273,607</u>	<u>240,742</u>
	<u>\$ 1,002,322</u>	<u>\$ 465,022</u>

5. CAPITAL ASSETS

Capital asset additions, disposals, transfers, and balances for the years ended December 31, 2013 and 2012 were as follows:

	2013				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 14,930	\$ —	\$ —	\$ —	\$ 14,930
Construction in progress	<u>—</u>	<u>45,584</u>	<u>—</u>	<u>—</u>	<u>45,584</u>
Total capital assets not being depreciated:	<u>14,930</u>	<u>45,584</u>	<u>—</u>	<u>—</u>	<u>60,514</u>
Capital assets being depreciated:					
Land improvements	409,946	—	—	—	409,946
Building and fixed equipment	14,214,870	20,604	3,278	—	14,232,196
Movable equipment	<u>1,566,280</u>	<u>243,055</u>	<u>82,785</u>	<u>—</u>	<u>1,726,550</u>
Total capital assets being depreciated	<u>16,191,096</u>	<u>263,659</u>	<u>86,063</u>	<u>—</u>	<u>16,368,692</u>
Less accumulated depreciation for:					
Land improvements	44,941	32,321	—	—	77,262
Building and fixed equipment	2,051,371	952,891	3,078	—	3,001,184
Movable equipment	<u>957,782</u>	<u>236,218</u>	<u>74,480</u>	<u>—</u>	<u>1,119,520</u>
Total accumulated depreciation	<u>3,054,094</u>	<u>1,221,430</u>	<u>77,558</u>	<u>—</u>	<u>4,197,966</u>
Total capital assets being depreciated, net	<u>13,137,002</u>	<u>(957,771)</u>	<u>8,505</u>	<u>—</u>	<u>12,170,726</u>
Total capital assets, net	<u>\$13,151,932</u>	<u>\$ (912,187)</u>	<u>\$ (8,505)</u>	<u>\$ —</u>	<u>\$12,231,240</u>
	2012				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 14,930	\$ —	\$ —	\$ —	\$ 14,930
Construction in progress	<u>8,834,296</u>	<u>1,717,551</u>	<u>—</u>	<u>(10,551,847)</u>	<u>—</u>
Total capital assets not being depreciated:	<u>8,849,226</u>	<u>1,717,551</u>	<u>—</u>	<u>(10,551,847)</u>	<u>14,930</u>

5. CAPITAL ASSETS (continued)

	2012				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Land					
improvements	\$ 20,817	\$ –	\$ 10,995	\$ 400,124	\$ 409,946
Building and fixed equipment	4,596,878	–	347,828	9,965,820	14,214,870
Movable equipment	<u>1,443,676</u>	<u>269,893</u>	<u>333,192</u>	<u>185,903</u>	<u>1,566,280</u>
Total capital assets being depreciated	<u>6,061,371</u>	<u>269,893</u>	<u>692,015</u>	<u>10,551,847</u>	<u>16,191,096</u>
Less accumulated depreciation for:					
Land improvements	19,210	36,726	10,995	–	44,941
Building and fixed equipment	1,409,838	887,505	245,972	–	2,051,371
Movable equipment	<u>1,019,831</u>	<u>260,109</u>	<u>322,158</u>	<u>–</u>	<u>957,782</u>
Total accumulated depreciation	<u>2,448,879</u>	<u>1,184,340</u>	<u>579,125</u>	<u>–</u>	<u>3,054,094</u>
Total capital assets being depreciated, net	<u>3,612,492</u>	<u>(914,447)</u>	<u>112,890</u>	<u>10,551,847</u>	<u>13,137,002</u>
Total capital assets, net	<u>\$12,461,718</u>	<u>\$ 803,104</u>	<u>\$ (112,890)</u>	<u>\$ –</u>	<u>\$ 13,151,932</u>

6. LONG-TERM LIABILITIES

The following is a summary of the transactions for long-term liabilities for the years ended December 31, 2013 and 2012:

	2013				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Capital lease obligations	\$ 381,601	\$ 223,476	\$ 145,878	\$ 459,199	\$ 178,354
Compensated absences payable	<u>167,891</u>	<u>85,764</u>	<u>71,793</u>	<u>181,862</u>	<u>78,201</u>
	<u>\$ 549,492</u>	<u>\$ 309,240</u>	<u>\$ 217,671</u>	<u>\$ 641,061</u>	<u>\$ 256,555</u>

6. LONG-TERM LIABILITIES (continued)

	2012				Amounts
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease obligations	\$ 336,058	\$ 185,100	\$ 139,557	\$ 381,601	\$ 129,835
Compensated absences payable	<u>164,026</u>	<u>91,589</u>	<u>87,724</u>	<u>167,891</u>	<u>90,661</u>
	<u>\$ 500,084</u>	<u>\$ 276,689</u>	<u>\$ 227,281</u>	<u>\$ 549,492</u>	<u>\$ 220,496</u>

The Hospital leases certain equipment under capital lease agreements, including new leases of \$223,476 and \$185,100 in 2013 and 2012, respectively. Interest incurred under the leases was \$18,047 and \$14,193 for the years ended December 31, 2013 and 2012, respectively.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The following is an analysis of the financial presentation of the capital leases:

	December 31,	
	2013	2012
Movable equipment	\$ 859,850	\$ 626,374
Accumulated depreciation	<u>487,234</u>	<u>363,784</u>
	<u>\$ 372,616</u>	<u>\$ 262,590</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2013:

Year ending December 31,	
2014	\$ 235,398
2015	169,827
2016	125,625
2017	67,591
2018	<u>34,503</u>
Total minimum lease payments	632,944
Less amount representing executory costs	146,721
Less amount representing interest	<u>27,024</u>
Present value of net minimum lease payments	459,199
Less current portion	<u>178,354</u>
Long-term portion	<u>\$ 280,845</u>

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles (GAAP) establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 – Quoted market prices are available in active markets for identical instruments as of the reporting date.
- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1.
- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amounts reported in the statement of net position for cash and cash equivalents approximates its fair value.

Accounts receivable – The carrying amounts reported in the statement of net position for accounts receivable approximates fair value because of the short-term nature of those instruments.

Estimated third-party payor settlements – The carrying amounts reported in the statement of net position for estimated third-party payor settlements approximates fair value because of the short-term nature of those instruments.

Board designated assets– Consists of a certificate of deposit whose carrying amount reported in the statement of net position approximates its fair value.

Accounts payable, salaries and wages payable, compensated absences payable and other accrued expenses – The carrying amounts reported in the statement of net position for these approximates their fair value.

Capitalized lease obligations – The fair value of these liabilities is estimated using discounted cash flow analyses, based on the interest rate implicit in the lease agreements.

The carrying amounts and fair value of the Hospital's financial instruments at December 31, 2013 and 2012 are as follows:

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Cash and cash equivalents	\$ 1,235,139	\$ 1,235,139	\$ 720,428	\$ 720,428
Accounts receivable	1,002,322	1,002,322	465,022	465,022
Estimated third-party payor settlements	155,156	155,156	449,977	449,977
Board designated assets	221,619	221,619	221,409	221,409
Accounts and other payables	351,221	351,221	354,866	354,866
Compensated absences payable	181,862	181,862	167,891	167,891
Capital lease obligations	459,199	459,199	381,601	381,601

8. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Hospital is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The Hospital provides no other post-employment benefits, other than a retirement plan, for former employees.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

9. PENSION PLAN

Plan description

The Hospital participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, were as follows:

Period from January 1, 2013 to December 31, 2013	8.94%
Period from January 1, 2012 to December 31, 2012	8.34%

The Hospital's contributions to KPERS for the years ending December 31, 2013, 2012 and 2011 were \$243,430, \$204,762 and \$171,026, respectively, equal to the statutory required contributions for each year.

10. BUILDING PROJECT

In March of 2010, the County voters approved the issuance of general obligation bonds to provide for the renovation and improvement of the existing facility. The bonds will be repaid from ad valorem taxes levied on property within the County.

Construction commenced in 2010 and was completed in phases with all phases substantially complete in early 2012. As project expenditures were made by the County for the project, they were contributed to and capitalized by the Hospital as construction in progress. As the project phases were completed, the construction in progress amounts were reclassified to appropriate land improvements, buildings and equipment accounts of the Hospital and are being depreciated over their estimated useful lives.

ADDITIONAL INFORMATION

Stanton County Hospital

SCHEDULE OF PATIENT SERVICE REVENUE

	Year ended December 31, 2013			Year ended December 31, 2012		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Nursing service	\$ 424,513	\$ —	\$ 424,513	\$ 362,606	\$ —	\$ 362,606
Nursery	12,500	—	12,500	18,500	—	18,500
Operating room	11,044	55,849	66,893	—	34,361	34,361
Long-term care	1,414,334	—	1,414,334	1,081,402	—	1,081,402
Delivery room	72,600	3,600	76,200	95,600	5,000	100,600
Radiology	72,221	1,012,385	1,084,606	48,180	694,088	742,268
Laboratory	141,112	1,071,344	1,212,456	71,511	638,467	709,978
Physical therapy	70,305	429,460	499,765	64,950	531,900	596,850
Electrocardiology	11,358	57,215	68,573	2,490	30,644	33,134
Medical supplies	63,659	31,747	95,406	65,779	44,075	109,854
Pharmacy	102,276	265,787	368,063	90,319	148,153	238,472
Emergency room	4,420	319,697	324,117	2,880	251,845	254,725
Observation	—	483,259	483,259	5,490	386,236	391,726
Clinic	—	733,074	733,074	—	501,321	501,321
Gross patient service revenue	\$ <u>2,400,342</u>	\$ <u>4,463,417</u>	6,863,759	\$ <u>1,909,707</u>	\$ <u>3,266,090</u>	5,175,797
Contractual adjustments			(783,491)			(237,106)
Charity care			(26,754)			(29,975)
Provision for bad debts			<u>(183,637)</u>			<u>(75,033)</u>
Net patient service revenue			\$ <u>5,869,877</u>			\$ <u>4,833,683</u>

Stanton County Hospital.

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2013					Percent of total operating expenses
	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	Depreciation and Amortization	Total
Routine service:						
Nursing service	\$ 489,610 \$	- \$	4,932 \$	32,729 \$	- \$	527,271
Long-term care	637,429	-	69,477	63,995	-	770,901
	<u>1,127,039</u>	<u>-</u>	<u>74,409</u>	<u>96,724</u>	<u>-</u>	<u>1,298,172</u>
						<u>17.20</u>
Ancillary services:						
Operating & recovery rooms	4,018	-	-	4,339	-	8,357
Delivery room	10,084	-	-	1,676	-	11,760
Radiology	96,780	-	99,130	55,588	-	251,498
Laboratory	118,850	-	73,155	164,616	-	356,621
Physical therapy	101,208	-	24,483	13,375	-	139,066
EKG	-	-	-	817	-	817
Medical supplies	23,221	-	-	52,963	-	76,184
Pharmacy	4,247	-	12,000	160,909	-	177,156
Emergency room	27,958	-	117,984	10,947	-	156,889
Clinic	851,388	-	37,902	149,856	-	1,039,146
Social Services	25,223	-	2,720	7,406	-	35,349
	<u>1,262,977</u>	<u>-</u>	<u>367,374</u>	<u>622,492</u>	<u>-</u>	<u>2,252,843</u>
						<u>29.85</u>
General services:						
Nursing administration	100,034	-	-	2,544	-	102,578
Operation of plant	107,665	-	11,065	281,942	-	400,672
Laundry	32,375	-	-	10,861	-	43,236
Housekeeping	91,461	-	46	24,669	-	116,176
Dietary	169,292	-	5,759	145,866	-	320,917
Medical records	42,123	-	4,301	4,511	-	50,935
Administration	383,487	-	58,977	411,544	-	854,008
Employee benefits	-	885,831	-	-	-	885,831
	<u>926,437</u>	<u>885,831</u>	<u>80,148</u>	<u>881,937</u>	<u>-</u>	<u>2,774,353</u>
						<u>36.76</u>
Depreciation and amortization	-	-	-	-	1,221,430	1,221,430
						<u>16.18</u>
Total operating expenses	<u>\$ 3,316,453 \$</u>	<u>885,831 \$</u>	<u>521,931 \$</u>	<u>1,601,153 \$</u>	<u>1,221,430 \$</u>	<u>7,546,798</u>
						<u>100.00 %</u>

Department	Year ended December 31, 2012						Percent of total operating expenses
	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	Depreciation and Amortization	Total	
Routine service:							
Nursing service	\$ 485,226 \$	- \$	26,717 \$	90,004 \$	- \$	601,947	8.74 %
Long-term care	679,598	-	16,611	170,377	-	866,586	12.59
	<u>1,164,824</u>	<u>-</u>	<u>43,328</u>	<u>260,381</u>	<u>-</u>	<u>1,468,533</u>	<u>21.33</u>
Ancillary services:							
Operating & recovery rooms	1,136	-	-	2,451	-	3,587	0.05
Delivery room	7,703	-	-	6,707	-	14,410	0.21
Radiology	80,597	-	75,671	55,522	-	211,790	3.08
Laboratory	74,036	-	46,397	146,326	-	266,759	3.87
Physical therapy	122,313	-	21,374	33,819	-	177,506	2.58
EKG	-	-	-	744	-	744	0.01
Medical supplies	22,544	-	-	48,218	-	70,762	1.03
Pharmacy	6,957	-	12,000	109,553	-	128,510	1.87
Emergency room	1,727	-	107,575	12,097	-	121,399	1.76
Clinic	578,342	-	31,109	120,974	-	730,425	10.61
Social Services	24,596	-	808	383	-	25,787	0.37
	<u>919,951</u>	<u>-</u>	<u>294,934</u>	<u>536,794</u>	<u>-</u>	<u>1,751,679</u>	<u>25.44</u>
General services:							
Nursing administration	44,046	-	-	-	-	44,046	0.64
Operation of plant	99,172	-	34,412	220,124	-	353,708	5.14
Laundry	23,345	-	-	8,961	-	32,306	0.47
Housekeeping	75,516	-	950	30,055	-	106,521	1.55
Dietary	151,375	-	4,971	109,187	-	265,533	3.86
Medical records	32,688	-	2,550	3,367	-	38,605	0.56
Administration	370,710	-	65,505	399,501	-	835,716	12.14
Employee benefits	-	804,040	-	-	-	804,040	11.68
	<u>796,852</u>	<u>804,040</u>	<u>108,388</u>	<u>771,195</u>	<u>-</u>	<u>2,480,475</u>	<u>36.03</u>
Depreciation and amortization	-	-	-	-	1,184,340	1,184,340	17.20
Total operating expenses	<u>\$ 2,881,627 \$</u>	<u>804,040 \$</u>	<u>446,650 \$</u>	<u>1,568,370 \$</u>	<u>1,184,340 \$</u>	<u>6,885,027</u>	<u>100.00 %</u>